# DATA ON DISTRIBUTION BY INCOME CLASS OF EFFECTS OF THE TAX REFORM ACT OF 1986

Prepared by the Staff
of the
Joint Committee on Taxation

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Table 1

PERCENTAGE CHANGE IN INCOME TAX LIABILITY
UNDER THE CONFERENCE AGREEMENT, 1988

| Income Class [Thousands of 1986 dollars] | Percentage Change in Income Tax Liability |
|---|---|
| $ 0 - 10 | -65.1 |
| 10 - 20 | -22.3 |
| 20 - 30 | -9.8 |
| 30 - 40 | -7.7 |
| 40 - 50 | -9.1 |
| 50 - 75 | -1.8 |
| 75 - 100 | -1.2 |
| 100 - 200 | -2.2 |
| 200 + | -2.4 |
| **Total** | **-6.1** |

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Table 2

PERCENTAGE OF INCOME TAX LIABILITY BY INCOME CLASS UNDER PRESENT LAW AND THE CONFERENCE AGREEMENT, 1988

| Income Class [Thousands of 1986 dollars] | Percentage of Income Tax Liability | |
|---|---|---|
| | Present Law | Conference Agreement |
| Less than $10..... | 0.6 | 0.2 |
| $ 10 - 20..... | 6.4 | 5.3 |
| 20 - 30..... | 11.8 | 11.3 |
| 30 - 40..... | 12.0 | 11.8 |
| 40 - 50..... | 10.9 | 10.6 |
| 50 - 75..... | 16.2 | 16.9 |
| 75 - 100..... | 6.7 | 7.1 |
| 100 - 200..... | 11.9 | 12.4 |
| 200 and above..... | 23.4 | 24.3 |
| Total..... | 100.0 | 100.0 |

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Table 3

AVERAGE INCOME TAX RATE UNDER PRESENT LAW
AND THE CONFERENCE AGREEMENT,
BY INCOME CLASS, 1988

| Income Class [Thousands of 1986 dollars] | Average Income Tax Rate (percent) | |
|---|---|---|
| | Present Law | Conference Agreement |
| Less than $10..... | 1.6 | 0.5 |
| $ 10 - 20..... | 5.7 | 4.4 |
| 20 - 30..... | 8.3 | 7.5 |
| 30 - 40..... | 9.5 | 8.7 |
| 40 - 50..... | 11.1 | 10.1 |
| 50 - 75..... | 13.3 | 13.1 |
| 75 - 100..... | 15.7 | 15.6 |
| 100 - 200..... | 19.3 | 18.9 |
| 200 and above..... | 22.8 | 22.3 |
| Total..... | 11.8 | 11.1 |

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Table 4

AVERAGE INCOME TAX
UNDER PRESENT LAW AND
UNDER THE CONFERENCE AGREEMENT, 1988

| Income Class [Thousands of 1986 dollars] | Average Income Tax | | |
|---|---|---|---|
| | Present Law | Conference Agreement | Difference |
| Less than $10..... | $60 | $21 | $-39 |
| $ 10 - 20..... | 895 | 695 | -200 |
| 20 - 30..... | 2,238 | 2,018 | -220 |
| 30 - 40..... | 3,527 | 3,254 | -273 |
| 40 - 50..... | 5,335 | 4,849 | -486 |
| 50 - 75..... | 8,538 | 8,388 | -150 |
| 75 - 100..... | 14,469 | 14,293 | -176 |
| 100 - 200..... | 27,965 | 27,353 | -612 |
| 200 and above..... | 138,463 | 135,101 | -3,362 |
| **Total.....** | **$3,176** | **$2,982** | **$-194** |

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Table 5

PERCENTAGE CHANGE IN COMBINED
FEDERAL INCOME AND
SOCIAL SECURITY TAX LIABILITY, 1988

| Income Class [Thousands of 1986 dollars] | Percentage Change in Combined Taxes |
|---|---|
| $ 0 - 10 | -16.2 |
| 10 - 20 | -11.9 |
| 20 - 30 | -5.9 |
| 30 - 40 | -4.8 |
| 40 - 50 | -5.9 |
| 50 - 75 | -1.3 |
| 75 - 100 | -1.0 |
| 100 - 200 | -1.9 |
| 200 + | -2.4 |
| **Total** | **-4.4** |

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Table 6

PERCENTAGE CHANGE IN AFTER-TAX
INCOME UNDER THE CONFERENCE AGREEMENT, 1988

| Income Class [Thousands of 1986 dollars] | Percentage Change in After-tax Income |
|---|---|
| $ 0 - 10 | 1.0 |
| 10 - 20 | 1.5 |
| 20 - 30 | 1.0 |
| 30 - 40 | 0.9 |
| 40 - 50 | 1.3 |
| 50 - 75 | 0.3 |
| 75 - 100 | 0.2 |
| 100 - 200 | 0.6 |
| 200 + | 0.8 |
| **Total** | **0.9** |

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TABLE 7

TAXPAYERS WITH INCREASES AND DECREASES IN INCOME TAX LIABILITY UNDER THE CONFERENCE AGREEMENT, 1988 1/

| Income Class [Thousands of Dollars] | Number 2/ of Taxpayers [thousands] | Percent of Total | Number With Tax Increase [thousands] | Percent of Total | Average Increase | Number With Tax Decrease [thousands] | Percent of Total | Average Decrease |
|---|---|---|---|---|---|---|---|---|
| 0 - 10... | 44,443 | 33.8 | 1,692 | 1.3 | $ 214 | 12,315 | 9.4 | $ -170 |
| 10 - 20... | 29,965 | 22.8 | 4,199 | 3.2 | 235 | 22,463 | 17.1 | -310 |
| 20 - 30... | 21,924 | 16.7 | 4,677 | 3.6 | 346 | 16,547 | 12.6 | -390 |
| 30 - 40... | 14,261 | 10.8 | 3,519 | 2.7 | 554 | 10,537 | 8.0 | -554 |
| 40 - 50... | 8,530 | 6.5 | 1,697 | 1.3 | 926 | 6,797 | 5.2 | -841 |
| 50 - 75... | 7,906 | 6.0 | 2,947 | 2.2 | 1,378 | 4,927 | 3.7 | -1,066 |
| 75 - 100... | 1,936 | 1.5 | 722 | 0.5 | 3,120 | 1,186 | 0.9 | -2,187 |
| 100 - 200... | 1,783 | 1.4 | 655 | 0.5 | 8,312 | 1,126 | 0.9 | -5,803 |
| 200 + ..... | 706 | 0.5 | 311 | 0.2 | 55,700 | 393 | 0.3 | -50,122 |
| **Total.....** | **131,454** | **100.0** | **20,419** | **15.5** | **$ 1,742** | **76,291** | **58.0** | **$ -801** |

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1/ Includes both those who file and those who do not file tax returns.

2/ Includes tax returns with no change in liability, almost all of which have no tax liability under either present law or H.R. 3838.

NOTE: These figures suffer from serious statistical deficiencies because of (1) lack of information on certain income and deduction items not reported on tax returns, (2) use of imputations which do not take account of possible relationships with other items affected by the bill, and (3) small sample size.

Table 8

PERCENTAGE CHANGE IN INCOME TAX LIABILITY UNDER THE CONFERENCE AGREEMENT, 1987

| Income Class [Thousands of 1986 dollars] | Percentage Change in Income Tax Liability |
|---|---|
| $ 0 - 10 | -57.2 |
| 10 - 20 | -16.7 |
| 20 - 30 | -10.8 |
| 30 - 40 | -9.4 |
| 40 - 50 | -9.8 |
| 50 - 75 | -1.0 |
| 75 - 100 | 4.3 |
| 100 - 200 | 4.6 |
| 200 + | 9.8 |
| Total | -2.2 |

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Table 9

TAXPAYERS WITH INCREASES AND DECREASES
IN INCOME TAX LIABILITY
UNDER THE CONFERENCE AGREEMENT, 1987

| Income Class [Thousands of 1986 Dollars] | Number of Returns with Tax Increase | Number of Returns with Tax Decrease |
|---|---|---|
| $ 0 - $ 10..... | 1,666 | 11,997 |
| 10 - 20..... | 3,368 | 22,072 |
| 20 - 30..... | 3,095 | 16,982 |
| 30 - 40..... | 2,580 | 11,334 |
| 40 - 50..... | 1,445 | 7,078 |
| 50 - 75..... | 3,100 | 4,817 |
| 75 - 100..... | 989 | 854 |
| 100 - 200..... | 791 | 880 |
| 200 + ..... | 319 | 326 |
| **Total**..... | 17,353 | 76,338 |
| **Percent of Total**..... | 18.5 | 81.5 |

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NOTE: These figures suffer from serious statistical deficiencies because of (1) lack of information on certain income and deduction items not reported on tax returns, (2) use of imputations which do not take account of possible relationships with other items affected by the bill, and (3) small sample size.